



**CONGRESSIONAL BUDGET OFFICE  
COST ESTIMATE**

April 6, 2005

**S. 285**

**Children's Hospitals Educational Equity and Research Act**

*As ordered reported by the Senate Committee on Health, Education, Labor, and Pensions  
on February 9, 2005*

**SUMMARY**

S. 285 would amend the Public Health Service Act to authorize payments to children's hospitals that operate graduate medical education programs. Payments would be made to such hospitals for both "direct" and "indirect" costs related to graduate medical education. Direct costs are related to the cost of operating a medical education program, such as the salaries of medical residents, while indirect costs are intended to compensate hospitals for patient care costs that are expected to be higher in teaching hospitals than in non-teaching hospitals.

CBO estimates that implementing the bill would cost \$248 million in 2006 and \$1.6 billion over the 2006-2010 period, assuming the appropriation of the necessary amounts.

S. 285 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

**ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 285 is shown in the following table. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2005	2006	2007	2008	2009	2010
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
Spending Under Current Law						
Budget Authority <sup>a</sup>	303	0	0	0	0	0
Estimated Outlays	303	76	0	0	0	0
Proposed Changes						
Estimated Authorization Level	0	330	335	342	348	354
Estimated Outlays	0	248	334	340	347	353
Spending Under S. 285						
Estimated Authorization Level <sup>a</sup>	303	330	335	342	348	354
Estimated Outlays	303	324	334	340	347	353

a. The 2005 level is the amount appropriated for that year for payments to children's hospitals that operate graduate medical education programs.

## **BASIS OF ESTIMATE**

The Health Resources and Services Administration (HRSA) administers a program that provides payments to children's hospitals that operate graduate medical education programs. Authorization for that program will expire in 2005.

S. 285 would reauthorize funding for that program through 2010. The bill would authorize the appropriation of specific amounts in 2006 and such sums as may be necessary for 2007 through 2010. For this estimate, CBO assumes that S. 285 will be enacted before the end of this fiscal year, that the appropriated amount in the years 2007 through 2010 will be the 2006 authorization level adjusted for expected inflation, and that the estimated amounts will be appropriated for each year.

S. 285 would authorize appropriation of \$110 million in 2006 and such sums as are necessary for 2007 through 2010 for payment towards the direct costs of graduate medical education in children's hospitals. Those funds would be allocated across eligible hospitals according to a formula that takes into account the number of residents each hospital employs and its cost per resident as reported in 1997.

The bill also would authorize \$220 million in 2006 and such sums as are necessary for 2007 through 2010 for payment towards the indirect costs of graduate medical education programs. Those payments would be made to hospitals on the basis of a formula that takes into account

the hospital's number of discharges, the relative costliness of those cases as measured by a case-mix index, and the number of residents at the hospital.

Based on historical patterns of spending for graduate medical education programs, CBO estimates that implementing the bill would cost \$248 million in 2006 and \$1.6 billion over the 2006-2010 period, assuming appropriation of the necessary amounts.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 285 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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